




UNIVERSITY OF
SOUTH ALABAMA

USA Choice Plan

**SouthFlex
Premium Conversion**

Summary Plan Description

USA HEALTH

 **BlueCross BlueShield
of Alabama**
We cover what matters.

SOUTHFLEX HEALTH AND DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

USING PRE-TAX DOLLARS FOR EXPENSES

Your Employer sponsors an employee benefit program for Employees known as a Health and Dependent Care Flexible Spending Account (SouthFlex). SouthFlex allows you to set aside a certain amount each year, pretax, for health-related and dependent care expenses not reimbursed by any other program or plan. You then use those pre-tax dollars to reimburse yourself for out-of-pocket health and dependent care expenses. Participation in SouthFlex is voluntary.

Under SouthFlex, your contribution will be deducted from your pay before taxes and deposited into your account. This arrangement helps you because the amounts you elect for deduction are nontaxable; you save Social Security and income taxes on the amount of your salary reduction.

This is only a summary of SouthFlex. You can obtain additional information and forms on the website at www.HealthEquity.com and info@healthequity.com or call 1-877-288-0719.

PARTICIPATION IN THE PLAN

You may participate in SouthFlex if you are an Employee. You do not have to enroll in the USA Health & Dental Plan to participate in SouthFlex.

During the Open Enrollment Period, usually the month of November, you may complete an election form determining the amount you wish to contribute to your SouthFlex account beginning the first of the following year.

The amount you elect to contribute must be in whole dollars and will be divided equally depending on your pay schedule. This amount will be deducted from your pay before taxes are withheld and deposited into your spending account.

You may direct up to a maximum amount allowed each year (the maximum is set by the Internal Revenue Service) to your SouthFlex account to pay for eligible health care expenses. The maximum may change annually based on the amount set by the Internal Revenue Service. The minimum annual election is \$100.

You may direct up to a maximum of \$5,000 to your SouthFlex account each year to pay for dependent day care expenses so you (and, if married, your spouse) can work outside the home or attend school full-time. Unpaid volunteer work or volunteer work for a nominal salary does not qualify as work outside the home.

If you and your spouse file income taxes separately, the most either of you can put into the program to pay for dependent day care expenses is \$2,500.

USE IT OR LOSE IT POLICY

The Flexible Spending Account can save you money by using pre-tax dollars and can benefit you by allowing you to save for health care expenses that are not covered by your Plan. However, the amount you choose to contribute requires careful planning. **Money you contribute to your SouthFlex account must be used during the calendar year.** Money left in an account does not carry over to the next year and is not refundable at the end of the year. In other words, if you do not use it, you will lose it.

Funds assigned to the health care Flexible Spending Account cannot be transferred to the dependent care Flexible Spending Account under any circumstances. Funds assigned to the dependent care Flexible Spending Account cannot be transferred to the health care Flexible Spending Account under any circumstances.

GRACE PERIOD FOR “USE IT OR LOSE IT” RULE

There is a grace period for the Health flexible spending account only (this rule does not apply to expenses under the dependent care flexible spending account).

Money remaining in the health flexible spending account at the end of the calendar year may be carried over and used to cover eligible expenses incurred through March 15th of the next calendar year. This is referred to as a grace period.

This does not eliminate the “use it or lose it” rule altogether. Any unused amounts from the prior calendar year that are not used to reimburse expenses by the end of the grace period must be forfeited.

COORDINATION WITH HEALTH & DENTAL PLAN

SouthFlex is administered by HealthEquity, Inc., and is coordinated with the USA Health & Dental Plan. Out-of-pocket expenses for Eligible Employees and their Eligible Dependents (such as Copays and Deductibles) will automatically apply to your SouthFlex account. In addition, you will be able to file for reimbursement of qualified non-Covered Services.

ELIGIBLE HEALTH CARE EXPENSES

SouthFlex can be used to reimburse you for your own health care expenses, as well as those of your Eligible Dependents, as long as the expenses are:

1. amounts paid for “medical care” as described in Internal Revenue Code Section 213(d);
2. not reimbursable under any other health plan in which you participate; and
3. incurred after the date of your enrollment and during the calendar year; however, if your employment terminates during the calendar year, health care expenses must be incurred before your termination date (unless you elect continuation of coverage under COBRA).

Expenses eligible under the SouthFlex program are those not paid in full under any health care plan in which either you or your Eligible Dependents participate, including Deductibles, Copays and fees over the Allowed Amount. Eligible expenses do not include health, dental or life insurance premiums.

Following are examples of health care expenses that are reimbursable by SouthFlex. This is a partial list extracted from IRS publications and is subject to change. Eligible health care expenses include:

- acupuncture
- ambulance transportation expenses
- artificial limbs - artificial teeth
- birth control pills
- car controls for handicapped
- chiropractors
- contact lenses
- crutches
- drug and alcohol addiction treatment
- eyeglasses, eye exams, and laser eye surgery
- fertility enhancement
- guide dogs
- hearing aids and hearing aid batteries
- lead-based paint removal
- learning disability tuition
- nursing services
- optometrists

- special schools for the handicapped
- surgery (other than cosmetic surgery)
- therapy (medical)
- transportation to/from health care provider
- weight-loss plans prescribed by a physician to treat a specific disease
- wheelchairs

For a more complete list of eligible expenses, consult your personal tax advisor or refer to IRS publication 502, Medical and Dental Expenses which contains a list of deductible expenses. This publication can be obtained through your local IRS office or on the web at –

www.irs.gov/pub/irs-pdf/p502.pdf

NOTE: Misuse of spending account funds is a violation of Internal Revenue Service regulations.

HEALTH CARE EXPENSES THAT ARE NOT ELIGIBLE FOR REIMBURSEMENT

Although the Health Flexible Spending Account covers a wide variety of health care expenses, there are some expenses that are not eligible for payment. For example, expenses you incur in connection with activities that are merely beneficial to your general health and not directly related to specific health care are not reimbursable. And, as already noted, eligible expenses do not include health, dental, or life insurance premiums. Other types of health care that are not eligible include:

1. expenses incurred for health clubs, spas and weight loss programs (unless prescribed by a physician solely for the purpose of treating an illness or accident);
2. expenses for which you receive benefits from any health, dental, vision or other health care plan (see below for special rules pertaining to HRAs);
3. most kinds of cosmetic health services and supplies (unless medically necessary and not covered by a health plan), hair transplants, electrolysis, and teeth whitening; and,
4. dietary and herbal supplements such as vitamins, fiber, and minerals (unless prescribed by a physician solely for the purpose of treating an illness).

Expenses are eligible for reimbursement from the FSA only if they are expenses paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body.

ELIGIBLE DEPENDENT CARE EXPENSES

SouthFlex can be used to reimburse you for your dependent expenses, as long as the expenses are:

1. incurred so that you and your spouse (if you are married) can work or attend school full-time;
2. incurred for services relating to the care of a child under the age of 13, or your Disabled child or adult who lives with the employee for more than half of the taxable year;
3. incurred after the date of your enrollment and during the calendar year; however, if your employment terminates during the calendar year, dependent care expenses must be incurred before termination.

Following are examples of dependent care expenses that are reimbursable by SouthFlex. Eligible dependent care expenses include:

1. expenses incurred for dependent day care that allow you (and if married, your spouse) to work or attend school full-time;
2. licensed nursery school or day care center for children, provided the facility complies with all applicable state and local laws and regulations, provides care for six or more individuals, and receives a fee for providing day care services;
3. costs for dependent care services in or outside your home;
4. costs for household services which are in part attributable to the care of the dependent.

For expenses to be eligible for reimbursement, the person you pay to provide care for your dependents cannot be your spouse, another dependent, or a family member under the age of 19.

For more information about eligible dependent care expenses, refer to IRS Publication 503, Child and Dependent Care Credit, which can be obtained at your local IRS office or on the web at –

www.irs.gov/pub/irs-pdf/p503.pdf

DEPENDENT CARE EXPENSES THAT ARE NOT ELIGIBLE FOR REIMBURSEMENT

Certain dependent care expenses are not covered under SouthFlex. Examples of ineligible expenses include, but are not limited to:

1. any amounts you pay to a family member under the age of 19 or any person you claim as a dependent on your federal income tax return;
2. costs for any person caring for your dependents when you or your spouse are not working;
3. transportation not provided by a care provider;
4. child support payments;
5. education expenses for kindergarten and above or overnight camp expenses;
6. food, clothing and entertainment;
7. cleaning and cooking services not provided by the care provider.

REIMBURSEMENT PROCEDURE

If you (or your health care provider) file a primary health or dental claim with the Claims Administrator and no secondary coverage is reflected on your contract, it will not be necessary to file for reimbursement of any non-paid amount. These non-paid health expenses will automatically be filed and processed under your Health FSA if the funds are available (minimum reimbursement amount is \$10). For other eligible expenses, you must file a Request for Reimbursement.

You may obtain a Request for Reimbursement form on the web at **www.HealthEquity.com**.

Fill it out and attach Explanation of Benefits (EOB) forms, bills, invoices, receipts, or other supporting statements showing the amount of the health-related expenses or dependent care expenses for which you are claiming reimbursement. Send the Request for Reimbursement form and attachments to –

HealthEquity

15 West Scenic Pointe Drive, Suite 100

Draper, UT 84020

info@healthequity.com

www.HealthEquity.com

If HealthEquity receives a submission that does not qualify as a Request for Reimbursement, it will notify you of the additional information needed.

Requests for Reimbursement for eligible health care and eligible dependent care expenses incurred in a calendar year must be submitted by the close of the timely filing period, **April 15th** of the following calendar year. After the close of that period any money in the account is forfeited unless subject to a properly filed Request for Reimbursement or appeal.

SECTION 125 PREMIUM CONVERSION PLAN

Your Employer sponsors an employee benefit program for Employees known as a Section 125 Premium Conversion Plan. The purpose of the Plan is to increase your spendable income by reducing your taxes. Current tax legislation allows employers to offer Employees the benefit of having their Employee Contribution for qualified benefit plans deducted from their paychecks before taxes are taken out.

Under the Premium Conversion Plan, your cost will still be deducted from your paycheck. The difference is that your cost will be deducted from your pay before taxes. This arrangement helps you because the benefits you elect are nontaxable; you save Social Security and income taxes on the amount of your salary reduction.

PARTICIPATION IN THE PLAN

You may participate in the Section 125 Premium Conversion Plan if you are an Eligible Employee. You will become a participant in the Section 125 Premium Conversion Plan at the time you enroll in the USA Health & Dental Plan.

Alternatively, you can pay for the same benefit with after-tax dollars on a salary deduction basis. If you elect not to participate in the plan, after-tax premium coverage will be funded by an amount deducted from your compensation which is sufficient to pay for the coverage after withholding any applicable federal, state, or Social Security taxes.

BENEFITS OFFERED

The Section 125 Premium Conversion Plan permits you to pay your Employee Contribution for the USA Health & Dental Plan with pre-tax dollars through salary reduction rather than regular pay.

Since Social Security taxes are not withheld from Employee Contributions paid under the Section 125 Premium Conversion Plan, your Social Security retirement benefit may be slightly reduced.

CHANGE OF ELECTION

You may change your election for pre-tax premiums only during the Open Enrollment Period, which is usually the month of November each year, and then only for the coming calendar year. There is an important exception to this general rule: You may change or revoke your previous election for pre-tax premiums at any time during the calendar year due to a Change-In-Status Event as explained in this Member Handbook.

TERMINATION OF EMPLOYMENT

If your employment with the University of South Alabama is terminated during the calendar year, your active participation in the Section 125 Premium Conversion Plan will cease, and you will not be able to make any more contributions to the plan, other than as may be permitted under the COBRA continuation of coverage provision.

Your participation in the Section 125 Premium Conversion Plan will terminate effective the first of the month for which no Employee Contribution was withheld from your paycheck.

ADMINISTRATION

The Section 125 Premium Conversion Plan is administered by the University of South Alabama. All costs associated with the administration of this plan are paid for by your Employer. Additional information may be obtained from the Human Resources Department.